Defence Procurement Procedure in India

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INTRODUCTION TO DEFENCE PROCUREMENT

- Defence Procurement – Why?
- Building of Indigenous designing , development & production capabilities – Self-Reliance?
- Policy framework conscious of this need
- Procurement Policy as a means to achieve self – reliance ?
- Procurement policy in India aims to defy the established objectives of public procurement which is to ensure value for money and fair competition in the market and advocates for allocating a larger role to procurement as a governmental function

WHAT IS DEFENCE PROCUREMENT PROCEDURE (DPP)?

- DPP - procedure established by the executives to be followed at the time of procuring any items which has a functional interface with the defence sector of the country
- Through this policy framework, the government aims develop the indigenous capacity of production and manufacturing of the defence industrial base of the country and urges the concerned stakeholders to perceive the defence procurement process through the said principle
- DPP urges Central Govt to strictly implement this through an elaborate institutional eco-system aiming towards result orientation and commitment to timelines, iterative learning and continuous improvement- involving the active ownership of all stakeholders concerned
- Envisages a larger involvement of MSME & private sector through Make-in-India scheme
- DPP – Dynamic policy – frequent revisions
- contains a cohort of rules and regulations and sub-policies governing various aspects of defence procurement was introduced to provide growth impetus to the defence industrial base of the country

INDIA's DEFENCE INDUSTRIAL BASE– The British Touch!

- **Current DIB – British Inheritance – Purpose –**
  - est support system for advanced armaments, platforms & technology which is procured from England;
  - est industrial base for perishable items used in national defence
- the focus of the Britishers was to establish a support system to its key equipments and technologies while it would continue to procure the same from its home country
- Indigenous Production of Spare Parts - spare parts like nuts, bolts or perishable items like gun powder, etc
- **Cost Effective than importing**
  - indigenous production of spare parts and supporting machineries costed less than 50 % of the expenditure compared to its production and importation from outside

INDIA's DEFENCE INDUSTRIAL BASE– The British Touch!

- Small Scale Industrial Units set up in Presidency Towns –
  - Small mills within the fortifications at Bombay, Madras and Calcutta were established to produce gunpowder
- Smithy and carpentry yards were established to make gun carriage
- The very famous Fort William complex in the erstwhile Calcutta was further expanded by the establishment of a brass gun foundry
- Thereafter a fully developed production facility near Kashipur or Cossipore in 1802
  - Began its operation as a gun carriage manufactory (1801) and subsequently into a gun foundry
  - Considered as the very first Ordnance Factory of the country
- Despite two WW - India had merely six Ordnance Factors manufacturing gun powder and spare parts for the defence equipments – which were nothing more than quartermaster stones

INDIA's DEFENCE INDUSTRIAL BASE– The British Touch!

"Guns shots and shells fortunately do not deteriorate from climate. As a general principle, therefore, I would advocate that guns, shots and shells and small arms of all kinds should be obtained from England and that the manufactures from India should be limited to the supply of what may be called perishable articles, such as gunpowder, laboratory stores, gun carriages and wagons, harness and saddlery etc

Dhirendra Committee report – had quoted a statement made by the then Commander in Chief – Sir Hugh Roses -

Hence our defence industrial base could never move beyond a mere support system leading to the heavy reliance of the country on imports and procurement.

INDIA's DEFENCE INDUSTRIAL BASE – Post - Independence

- Post – Independence – DIB – a series of support systems
- India's Policy – Peaceful Co-existence and Non-Alignment
  - maintain peace by fostering good and peaceful relations with its neighbouring countries and taking an active decision not to align itself with any warring country
  - Focus on building a stable governance framework and stabilize economy
- Nonetheless, dependent on Soviet Union for Defence Needs
  - Hence undeniably its economic policies and geographical proximity saw India tilting towards USSR for its military requirements
  - **Indo-Soviet Treaty of Peace, Friendship and Cooperation 1971**
    - Emphasized on establishing and building a '*reliable nature of relationship*' thereby supporting each other politically.
    - One of the earliest bilateral agreement that India entered for the purposes of strengthening its military capability through international support.

INDIA's DEFENCE INDUSTRIAL BASE – Post - Independence

- Need to upgrade DIB – enhanced after a series of war and instances of external aggression that India witnessed within the first two decades of independence.
- Nobel Peace Prize awardee Prof. P.M.S. Blackett recommended to adopt a twofold strategy wherein
  - Phase – I – Short Term - procure the requisite technology and equipments to handle any coup or aggression which is restricted within the country.
  - Phase – II - for aggression or any form of war which is of relatively large scale, the country needs to procure more sophisticated armaments and technology which can aid in licensed production
- He suggested to build this capacity in a phased manner and at the same time focus on strengthening the diplomatic relations of the country with other nations.

INDIA's DEFENCE INDUSTRIAL BASE – Post - Independence

- Failure in Indo-China War – Key lessons – procurement may not always be the preferred mode to equip the armed forces for building military capabilities
- Inevitable in the short run though
- Building production capabilities through the means of Licensed Production
    - In order to provide an impetus to this production facility, India decided to procure technology through which it could further manufacture equipments based on the system of licensed production.
- However, ToT leading to licensed production mechanism was limited in its scope and contributed very little to developing an indigenous base for defence production and manufacturing
- India heavily relied on the OEM for Maintenance and Repair Services + restriction in terms of use
- India's Strategy – to go for One-Vendor System – not to waste time in choosing a vendor for subsequent transactions and focus more on negotiations with respect to the nature of the technology sought to be procured

INDIA's DEFENCE INDUSTRIAL BASE – Post - Independence

- Disintegration of the Soviet Union – formation of Russia - hesitant to part with advanced technology
- Hence the period prior to the era of globalization, liberalization and privatization i.e. the early 1990s primarily consisted of establishing collaboration with foreign vendors both governmental and non – governmental leading to transfer of technology.
- Even though LP till date most preferred form of procurement but its contribution in the longer run is minimal
- Such technology transfers were subjected to multiple restrictions on its use, production and maintenance services and were primarily used on licensed production basis.
- The procurement contracts had standard negotiating patterns and terms and conditions.

INDIA's DEFENCE INDUSTRIAL BASE – *New Economic Order*

- LPG – New Economic Order - emergence of a so called '*multipolar world*' from a bipolar world.
- This era saw various reformative measures to revive a sinking economy from a crisis and a '*new economic order*' with progressive attempts to facilitate the process of liberalization.
- Strict governmental control and monopolization was removed in numerous key infrastructure sectors and private sectors and entities were brought in to manage and administer key areas.
- The private entities took charge of this golden opportunity to demonstrate its ability and expertise especially with the help of the advanced access to information and technology and in turn the government benefitted from their entrepreneurship and management skills.

EMERGENCE OF A DEFENCE PROCUREMENT POLICY

- 2001- 'Committee of Group of Ministers on reforming the National Security System' - suggesting an institutional and substantive framework to regulate the procedural matters concerning the defence procurement
- 2002 – First ever DPP 2002 - to be followed while procuring products which have an operational or functional interface with the defence sector of the country and which would be purchased under the procurement category called as 'Buy' as will be decided by the Defence Acquisition Council
- 2003 – amendments - Substantive amendments were brought to this policy framework in the very next year enhancing the scope of application of the same to a newly introduced category called as '*Buy and Make*' i.e. the category of '*Licensed Production*' which encompasses those procurements undertaken by the government wherein technology transfer takes place with the assistance of which defence related weaponry and equipments are manufactured subject to certain limitations.
- Frequent amendments - 2005, 2006, 2008, 2009, 2011 and 2013, enhancing the scope to include 'Make', 'Buy and Make (Indian)' categories, concept of 'Offsets' and Ship Building procedure.

DEFENCE PROCUREMENT PROCEDURE 2016

Preamble to the Defence Procurement Procedure.

Chapter I - Operational Context, Acquisition Categories and Acquisition Plans.

Chapter II - Procurement Procedure for Categories under 'Buy' and 'Buy and Make' schemes.

Chapter III - Procedure for 'Make' Category of Acquisition.

Chapter IV - Procedure for Defence Ship Building.

Chapter V - Fast Track Procedure.

Chapter VI - Standard Contract Document.

Chapter VII - Strategic Partners and Partnerships (*to be notified separately*). – Work in Progress -

DPP – An Overview

- Largely influenced by Dhirendra Committee Report
- Presents an exhaustive policy framework for expeditious procurement in Defence sector of the country
- for the first time presented pro-active measures for indigenous production in defence sector and enhancing the self-reliance in this area.
- This resonated in the '*Make-in-India Policy*' implemented parallelly by the Central Government.
- Runs over 1000 pages entailing a diverse range of features
- Looks into the imperatives of self-reliance in defence sector and
- Prioritizes Indigenous production and procurement
- In procurement categories involving an outright purchase of products or technology or integrated system from foreign vendors from abroad whether governmental or non-governmental, policy introduces a need to have indigenised content in the equipment to a certain extent.
- It has also transformed the procurement under '*Make Category*' and an institutionalised set of steps for processing the request for information (RFI); and certain measures to deal with procurement in single-vendor situations.

PREAMBLE

Preamble – Aim – to strike balance between	Transparency	Predictability	Public Accountability
	Certainty	maintain confidentiality and protect the sensitive and classified nature of information	
To this end	Self-Reliance design, development and manufacturing in defence sector	build its indigenous capabilities	attainment of the goal of self-reliance
Consequently	It enables provisions for utilisation and consolidation of design and manufacturing infrastructure available in the country		
	also recognizes the need to collaborate with the private sector and encourage their engagement in building a robust defence industrial base in India.		
	Towards establishing an institutional framework which can further assist in streamlining and simplification of defence procurement procedure in the country		
	imbibing the vision of the '*Make-in-India*' initiative by promoting indigenous design, development and manufacturing of defence equipment, platforms, systems and sub-systems		

PREAMBLE

- Also recognizes the need to cut short long gestational periods prescribed under the earlier process as it has a direct adverse bearing on the preparedness of our armed forces
    - Therefore DPP 2016 provides flexibility in the procurement practices
    - Hence, the goal of strengthening the armed forces of the country with a robust set of resources is not impacted by unnecessary administrative delays.
- Also recognizes the need to deal with defence procurement different from public procurement both from procedural and substantial level
- Provides a reasonable flexibility to the executors of the policy in order to meet the requirements of the armed forces expeditiously

CHAPTER I - OPERATIONAL CONTEXT, ACQUISITION CATEGORIES AND ACQUISITION PLANS

AIMS, INCLUSIONS & EXCLUSIONS

Scope of the Chapter –

- Operational Context
- Acquisition Categories &
- Format for Acquisition Plans

Objective – Timely def proc without compromising in quality

- Optimal Utilization of Financial resources
- Fundamental principles of procurement to be followed

Excludes procurement by DPSUs, OFs & DRDO

CATEGORIES OF PROCUREMENT

BUY – outright purchase / off – the shelf purchase	Buy (Indian – IDDM) – 1st
	Buy (Indian) – 2nd
	Buy (Global) – 5th
BUY & MAKE - Licensed Production	Buy & Make (Indian) – 3rd
	Buy & Make – 4th
MAKE	Make (Govt Funded)
	Make (Self Funded)

Buy – Indian – IDDM Category

outright purchase of equipment from vendor incorporated under Indian Law

Mandatory Min Indigenous Content - % on cost basis of the total contract value or it should have a minimum of 60 % of IC content on cost basis of the total contract value which may not have been designed and developed indigenously

Indigenous Content: Basic Cost of Equipment; Cost of Manufacturers' Recommended List of Spares (MRLS); and Cost of Special Maintenance Tools (SMT) and Special Test Equipment (STE), taken together at all stages, including FET stage

Most preferred category of procurement – Game Changer – Incentivises time-bound indigenous research & dev in defence industrial production capacities

To be invoked at the time of procuring all forms of indigenously designed and items developed under the '*Make-Projects*' and once approved, the equipments that will be so produced will be inducted in the government resources through Buy Indian-IDDM category of procurement.

BUY & MAKE (Indian)

Licensed Production

- Under this category, the required equipment is procured in the '*Fully Formed State (FF)*' in the initial phase, as is deemed necessary from a vendor having registered place of business in India who engages with an Original Equipment Manufacturer (*'OEM'*) who is based out another country.
- Once procurement, the concerned equipment is manufactured locally with the help of the technology so procured subject to certain restrictions with respect to the quantities, specified range and depth of the original equipment.
- Under this category, it is extremely pertinent that the transfer of technology is comprehensive especially when it concerns critical technology.
- This category also requires that there should be an indigenous content in the equipment so produced to the tune of a minimum of 50 % on cost basis of the Make portion of the contract.

BUY AND MAKE

Licensed Production from foreign counterparts

Procurement of required equipment in FF State initially directly from a foreign vendor

Thereafter, the concerned equipment is manufactured locally with the help of the technology so procured subject to certain restrictions with respect to the quantities, specified range and depth of the original equipment by an Indian Production Agency (*'IPA'*) in a phased manner.

Under this category, it is extremely pertinent that the transfer of technology is comprehensive especially when it concerns critical technology.

Key criteria for the identifying procurements for ‘Buy & Make (Indian)’ & Buy & Make category:

(a) The equipment/system/platform/upgrade is available with foreign OEMs (whether in service in foreign country or not); and

(b) Access to ToT & Maintenance ToT esp wrt to critical technologies

(c) Absorption capabilities of Indian Industry – to create the necessary production, test and integration facilities and poise for the up-gradation needed; and

(d) Ability of the Indian industry to deliver the equipment/system/platform with the stipulated indigenous content, for operational use as per indicated time schedule and in requisite numbers

BUY (GLOBAL)

Outright purchase of defence equipment from either a vendor registered or incorporated outside India or a vendor based in India.

Foreign Vendor - Central Government to directly negotiate and effectuate the procurement deal from government to government as it would also help build diplomatic relations with the said country or strengthen the existing diplomatic relations.

BUY (GLOBAL) – defining attributes

The equipment/system/platform required is	
not of strategic or long term nature which cannot be fulfilled through higher preference category;	strategic or long term nature which cannot be fulfilled through higher preference category
Then the following needs to be ensured: 1. Buy (Global) on multi or single vendor basis. 2. Fast Track Procedure in case of urgent operational requirements.	1. Buy (Global) under Government to Government arrangement. 2. In case of multiple vendors, product may be selected before approaching the foreign Government. 3. Conclude Inter Governmental Agreement if one does not already exist, as required. 4. Requirement of ToT/MToT as required/likely to be made available may be factored.
Where the requirement is of a strategic or long-term nature & multiple foreign vendors can provide for the same	
1. Competitive Bidding Process 2. Involve the Govt. of L1 bidder if required 3. Include ToT/MToT as necessary	

MAKE CATEGORY

procurement of equipment/system/ sub-system/assembly/sub-assembly, major components, or upgrades thereof which are being or have been designed, developed and manufactured by an '*Indian Vendor*'.

Indian Vendor as one who possesses an industrial license to deal with the manufacturing of defence products and can include any such vendor whose business is incorporated under the Companies Act 2013 or Partnership Act or any other form of proprietorship or a Societal ownership under the Societies Act – adherence to licensing norms of DIPP regularly – mandatory; sub to exceptions

Make Category – Defining Attributes

The equipment/system/platform or their upgrades or their sub-systems/sub-assembly/assemblies/major components, as the case may be, would be designed and developed based on matured technologies; or

The equipment/system/platform or their upgrades or their sub-systems/sub- assembly/assemblies/major components, would be developed using matured/proven technologies which are available to the Indian industry through indigenous or foreign sources; however access to technology and other production related dependencies should be under the control of Indian entities only; and

Fundamental research & development (R&D) of core technology or materials is not envisaged; and

Indian industry has or can establish the requisite capability for development, manufacturing, test, integration and production; and

Adequate time is available for induction of capability; and

Minimum indigenous content at prototype development and production stages, as stipulated, can be achieved.

BUY (INDIAN)

(a) The equipment/system/platform is already in service, having been produced by Indian industry; Or

(b) Though not in service, but is available in Indian industry for some other sector; or

(c) Though not in service, equipment/system/platform can be produced as all key technologies are accessible and Indian industry has capability to manufacture, test and integrate the system; and

(d) In case of upgrades of in-service equipment/system/platform, technology is available to Indian industry, which has the capability to implement the upgrades sought, through one of the means detailed above; and

(e) In each of the above situations, the Indian industry can deliver the equipment/system/platform with the stipulated indigenous content, firstly for trials and secondly for operational use as per indicated time schedule and in requisite numbers.

Other key features -

Definition of *"Indigenous Content*

Mandatory & Regular Reporting Requirement - Indigenous content shall be reported without fail at all the stages or phases of production or assembly, as the case may be, of a defence equipment.

Audit - The Ministry of Defence through a committee appointed in this regard is empowered to audit and review the certifications and information so received as far as the incorporation of indigenous requirement is concerned.

The right of the Ministry of Defence should be incorporated in the all the contracts that the primary vendor is entering into with other stakeholders for the purposes of manufacturing or assembling a defence equipment which is being procured from the primary vendor is concerned.

Procurement Planning

<table>
<tr><th colspan="2">Annual Acquisition Plan</th><th>5 Yr Services Capital Acquisition Plan</th><th>Long – Term Integrated Acquisition Plan</th></tr>
<tr><td>‘Two-Year Roll-on Plan’ for Cap Acquisitions</td><td>‘Two-Year Roll-on Plan’ for Acquisitions under Make Cate</td><td>• Prepared by HQ IDS under the overall guidance of DAC</td><td>• Prepared by HQ IDS in consultation with the Service HQ</td></tr>
<tr><td colspan="2" rowspan="2">To be approved by SCAP – 2 parts:
• A – Pending Acquisitions – AoN to be renewed
• B – Prospective Plan</td><td>• To be approved by DPB</td><td>• To be approved by the DAC & DPB</td></tr>
<tr><td>• Implemented for 5 years</td><td>• Implemented for 15 years</td></tr>
<tr><td colspan="4">• Have to be read together with the Defence Planning Guidelines</td></tr>
</table>

Chapter II – Procedure for Procurement under 'Buy' 'Buy & Make' Category

Process of Procurement

1. Request for Information (RFI).
2. Services Qualitative Requirements (SQRs).
3. (Acceptance of Necessity (AoN).
4. Solicitation of offers.
5. Evaluation of Technical offers by Technical Evaluation Committee (TEC).
6. Field Evaluation.
7. Staff Evaluation.
8. Oversight by Technical Oversight Committee (TOC), if required
9. Commercial negotiations by Contract Negotiation Committee (CNC).
10. Approval of the Competent Financial Authority (CFA).
11. Award of contract/Supply Order (SO).
12. Contract Administration and Post-Contract Management.
13. 12Amendment issued vide Enclosure E to MoD ID No. 1(13)/D(Acq)/16-Vol.III dated 23.07.2018

REQUEST FOR INFORMATION

- To be published by MoD for soliciting relevant information on a particular procurement scheme.
- RFI Process has been institutionalized – earlier arbitary
- Disclaimer - RFI doesn't include any commitment to procure the items
- Purpose of RFI
    - To formulate and rationalize the Service Quality Requirements and the information which is so received through RFI assists the Acquisition Wing to determine the product requirements and features based on the availability in the market. The objective is to set achievable product targets.
    - RFI assist in generation and structuring of Request for Proposals
    - RFI also assist the Ministry of Defence to identify the category of procurement through which the said procurement will be channelized.
    - To identify the consequent cost and budgetary impact of the said procurement

REQUEST FOR INFORMATION

RFI should categorically state the following aspects of the product which is sought to be procured:

(a) Capabilities sought in the equipment/system/platform (draft SQRs/operational requirements).
(b) Quantity required and anticipated delivery timeframes.
(c) Tentative time schedule for the acquisition processes (issue of RFP).

- RFI – indicates the willingness of the Govt on soliciting proposals for def proc
- Prepared by SHQ upon due consultation with DRDO & DDP & HQ IDS to ensure that all operational aspect and key and non-comprisable attributes of a particular procurement is covered.
- Stakeholder consultation on draft RFI
- Upon publication, HQ IDS / SHQ should conduct planned and extensive interactions with the prospective vendors before they could file their detailed response to RFI.
- Based on this interaction, IDS or SHQ has to prepare a '*Competency Map*' of the participation entities or vendors of the Indian industry which will also be published and constantly updated by the Department of Defence Production.

Service quality requirements

- RFI – SQR Prep by Service HQ taking information available / sought from various defence attaches, online, defence magazines or journals or reports, etc. or any defence procurement contract for a similar product or equipment that has been concluded in the past
- SQR Document - identify the fundamental user requirements on the basis of which the capital acquisitions
- Should be broad based & not be tailor made to fit a particular product
- Specify the the class and the category of armed forces which will be using the procured products
- should be as unambiguous, detailed, exhaustive and at the same time as achievable as possible
- Testing of equipment vis-a-vis SQR could be undertaken during Field Evaluation Trial

Service quality requirements - Parameters

Essential Parameters – A	Essential Parameters – B	Enhanced Performance Parameters
Contemporary Non-Negotiable Parameters that are readily available in the market	Not readily available in the market, these parameters can be developed and achieved by the vendors using available technologies.	Capacity enhancing parameters - However, the same may not be present in every SQR and inability to meet the SQR may not preclude the vendors from bidding for a particular product.
Tested and Verified at FET Stage	If not tested during FET stage then should be tested prior to submission of the bid	Details of EPP should be provided prior to the submission of the technical bids and would be tested during FET
Non – Negotiable		Meeting of EPP can be incentivised by awarding a credit score of 10 %

SERVICE QUALITY REQUIREMENTS

- Draft SQR to be shared with '*Staff Equipment Policy Committee ('SPEC')* comprising of representatives of possible user directorates, maintenance directorate, HQ IDS, DRDO, DDP, DGQA/DGAQA), DG Naval Armament Inspectorate (DGNAI), DoS, Technical Managers and any other necessary department for obtaining their views/comments and they will approve the SQR
- Joint Procurement - HQ IDS will constitute a Joint Staff Equipment Policy Committee (JSEPC) with representation from the services concerned, for the preparation of the Joint Service Quality Requirement (JSQR).
- The approved SQR along with the '*Statement of Case (SoC)*' shall be submitted for eeking the '*Acceptance of Necessity (AoN)*'
- Once the AON is given, no further changes will be entertained.
- In situations where SQRs need to be amended post the issuance of AoN, a fresh AoN has to be obtained with the amended SQR
- In case of procurement under 'Buy and Make (Indian)' SQRs can be finalized after the AoN has been obtained but prior to the issuance of the RFP for such categories

Shortlisting of vendors

- Identification & Shortlisting of Potential Vendors who can supply the required equipments by SHQ as per guidelines prescribed by the Acquisition Wing from time to time
- These shortlisted prospective vendors to addressed as '*Original Equipment Manufacturers (OEMs)*' or '*Authorised Vendors or Export Agencies authorised by the foreign governments*'.
- A proposed procurement can be notified in the public domain having due regards to the sensitivity of the matter involved in order to ensure fair and optimal competition.
- To maximize response to an SQR, following mechanisms can be adopted:
- (a) Vendor Identification through Internet – Prospective Vendor to submit information regarding their company's financial status, product structure and specifications, annual reports, etc. as per the format prescribed to the 'Technical Managers ' and SHQs which will be uploaded on its website. Upon due verification, a prospective vendor will be added to the vendor database. The vendor database may be shared with various Industry associations as deemed necessary.
- (b) Case Specific Advertisement – when a particular bid is being processed for obtaining the AoN, the SoC would also include information regarding the specific procurement, that can be placed on the MoD and SHQ websites to generate larger vendor response. For cases which are recommended to be placed on the websites the nature/scope of the information would also be indicated, keeping the security concerns of the services in mind.
- Expression of Interest (EoI) and advertisement in the newspaper can be adopted if the above two mechanisms doesn't yield the desired results.

ACCEPTANCE OF NECESSITY

- Stage for accepting the necessity of procuring a particular equipment for use by the armed forces
- SHQ to prepare a Statement of Case (*SoC*) making a case for procurement – to be approved by User Directorate – IDS to examine the interoperability and commonality of equipment for the three Services
- The SoC is then placed before a '*Categorization Committee*' (two types of committee – depending upon the cost of procurement) for consideration and they will invite industry experts, if necessary, to provide their comments/ advise on the same.
- SoC + SQR + draft '*Request for Proposal (RFP*') to be submitted for obtaining AoN before the AoN according authority
- SoCs for ToT should also identify the appropriate Indian Production Agency (IPA) which will be carrying out the work of indigenous production at this stage
- AoN once accorded shall be valid for 6 months – Exception – Proc u/d Buy & Make (Indian) – AoN valid till 1 year
- If RFP not issued, then it lapses & Service HQ has to initiate a fresh case

SOLICITATION OF OFFERS

Single Stage Two Bid System –

- RFP solicits submission to two bids – Technical & Commercial – submitted in separate envelopes
- Two types of bid scenarios

Single OEMs & Multiple Bids	**Multiple Bids by Single Indian vendor**
where in one foreign vendor who is the OEM offers the same equipment through multiple vendors by collaborating with numerous Indian companies	one Indian Company submits multiple bids by collaborating with multiple OEMs
Parameters may be revised to attract wider vendor base	Earlier prohibited – now allowed - due to variance of the commercial and technical bid of the multiple offers depending the terms and conditions of collaborations with the foreign OEMs, the cost and nature of proposals would substantially differ even if the Indian partner remains the same
Both cases likely to arisein the procurement category of 'Buy and Make'	

Request for Proposals

- RFP is an exhaustive and detailed document containing the details of equipment and / or technology which is sought to be procured from the prospective vendors.
- Also enables the vendors to understand the requirements of the government and accordingly bid for a particular procurement
- RFP – prepared by SHQ in consultation with proc / maintenance directorate officials, DGQA, DPB, DRDO
- Placed before Categorization Committee for category approval.
- SoCs for ToT should also identify the appropriate Indian Production Agency (IPA) which will be carrying out the work of indigenous production at this stage
- A Comparative Statement of Tenders needs to be prepared which should incorporate the Credit Score for EPP and other commercial terms which will be useful in identifying the L1 vendor.

Request for Proposals

Content of RFP			
Part 1 - general requirement of the equipment, the quantity required, the overall timeline for delivering the final equipment and / or technology, the environmental impact of the operating the equipment, terms of reference for maintenance and use, the methods and structure of training the users, the Engineering Support Package, the concerned Offset obligation and other conditions on Warranty and Guarantee	Part 2 Service Qualitative Requirements outlining the technical parameters of the proposed equipment or technology which is sought to be procured.	Part 3 – Commercial aspects of the procurement i.e. this part identifies the terms of payment, Performance-cum-Warranty Guarantees, and Additional Bank Guarantee in respect of Essential Parameters-B (if applicable) and Guarantees against Warranty Services to be performed by the supplier. It also includes standard contract terms along with special contractual conditions, if any.	Part 4 – criteria for evaluation, the methods for trial and acceptance, both in technical and financial terms.

REQUEST FOR PROPOSALS

- In case of procurement under the category of 'Buy and Make (Indian)' - the RFP shall require the prospective vendors to submit an indigenization and technology transfer and absorption depending upon the indigenization requirements and any other specific requirements
- Also cautions the vendors who while responding to RFP should ensure that their foreign partners who have agreed to transfer the technology should provide them with documentary evidence that they are either the OEM or their authorized licensees and that the said partners are not in the blacklisted category of Ministry of Defence. – subject to certain exceptions
  - Indian vendor to also procure Maintenance Infrastructure – RFP to lay down specifications accordingly
  - The Indian entity could be an Indian vendor or entities like OFB/Army Base Workshops/Naval Dockyards/Naval Aircraft Yards/Base Repair Depots of Air Force
  - The cost estimation for procurement of maintenance infrastructure should be directly proportional to the cost of the '*life cycle support*'.

PRE- BID MEETING

- Purpose – to resolve queries for prospective vendors
- To be called by SHQ – Participation of representatives from Weapons Equipment Directorate/ACNS (P&P)/ACAS (Plans), representatives of Defence Offset Management Wing (DOMW) for Offset matters, representatives of PA for ToT/MToT matters, TMs and FMs
- All the queries are to be answered at the earliest preferably within 3 weeks of the pre-bid meeting

OPENING OF BIDS

- The offers, both commercial and technical, so received has to be opened on a notified date and time by a Committee which will be headed by the Service HQs or the TMs in the presence of the bidders or their duly authorized representative.
- The technical offer upon opening shall be sent for evaluation to the Technical Evaluation Committee and the sealed Commercial Bid shall be sent to the AMs/ Service HQs.
- In case, only a single bid is received, the Service HQ can approve and proceed with the said vendor.
    - In such cases, a Report has to be filed by the Technical Evaluation Committee stating :
    - no scope for change in SQRs and other conditions of the RFP; and that retraction and reissue of RFP is not likely to increase the vendor base

  then the case may be progressed with the approval of DAC, provided the vendor agrees to hold the original commercial bid till completion of the procurement process.
- In such single vendor situation, efforts should be made to complete the acquisition process before expiry of original validity of commercial bid.

Opening of Bids

- Procurement under '*Buy and Make (Indian)*' - possibility that all or a majority of the vendors might have proposed to collaborate with only one foreign partner
- A possibility like this should be discussed at the stage of seeking AoN and if then it is decided that the SQRs will not be changed at any cost and that any retraction or reformation of the RFP will not in effect enhance the vendor case, then the offer submitted by the Indian vendor who makes the lowest bid will be considered for further processing.
- On the contrary, it may so happen that all the offers submitted by the foreign vendors may have proposed to collaborate with a single Indian vendor which happens in the case where foreign bidders are allowed to select their Indian counterparts.
  - A situation like this should not be considered as a single vendor situation as techno commercial arrangement of collaboration for each foreign vendor may be different from those of other vendors.
- time for submission of bids will not be extended unless in exceptional circumstances

TECHNICAL EVALUATION COMMITTEE (TEC)

- TEC to be constituted by the SHQ for evaluation of technical bids received from various vendors in response to the RFP.
- The evaluation to be primarily done against the parameters set out in SQRs.
- TEC should include representatives of user service, maintenance agency and representatives of QA.
- Further, in procurement cases concerning transfer of technology, the TEC can also have representatives from the Indian Production Agency and DRDO.
- The primary responsibility of TEC is to analyse the extent of variations in the bids submitted from the RFP and accordingly prepare a '***Compliance Statement***' which will lead to shortlisting the equipment for trial or induction into the services. Non-compliance with RFP can serve as a valid ground for rejection of the technical bid.
- In cases of procurement of technology along with its maintenance infrastructure to an Indian public or private firm is concerned, the TEC has to examine the jointly the compliance with respect to both the aspects.
- In the event where multiple bids are received, but amongst the same, there is only one OEM, then the technical bid of that particular OEM has to be considered and taken forward, even if it is not the lowest bidder.
- TEC is also empowered to call a meeting of the prospective vendors for a technical bid presentation and clarify any doubts with respect to the bids so submitted.

TECHNICAL EVALUATION COMMITTEE (TEC)

- Once a technical bid is submitted, it cannot be altered subsequently, unless the alterations are minor in nature which doesn't alter the basic character or profile of the offer subject to the following pre-requisites:

  (a) To ensure fair play, an opportunity to revise minor technical details should be accorded to all vendors in equal measure.

  (b) No extra time to be given to any vendor to upgrade their product to make it SQR compliant; except in case of Essential Parameters-B,

  (c) No dilution of SQR is carried out.

  (d) The original commercial quote submitted earlier must remain firm and fixed.

- For cases referred to the TEC by the Ministry of Defence, the approval of the technical bid has to be done by the Service HQ in case all the offers are found to be compliant with the RFP.

- For technical bids which are not in compliance with RFP, then in order to proceed with such offers, the prior approval of the Directorate-General of Acquisition Wing of the Ministry of Defence shall be undertaken.

- For cases that the TEC receives by virtue of delegation of powers, the final call on the technical bid has to be taken by the Service HQ.

Technical Oversight Committee

- to oversee the work of the examination of the TEC and supervise the Technical and Field Evaluation process for procurements over and above 300 crores or any other matter as may be referred by DPB/DAC .
- TOC may also be constituted in multi-vendor cases where any grievance or complaint regarding the evaluation process is filed.
- Composition – 3 members – representing tri-services, DRDO, concerned DPSU – appointed for 2 years & should be engaged in acquisition in point
- Terms of reference for ToC – RFP & Trial Directive
- Also operates as an Appellate Body / Grievance Redressal for resolution of vendor disputes
- Decision times – 30 days – extendable by 15 days upon approval from the DG Acquisition Wing
- TMs (Acquisition Wing) will provide the secretarial support to the TOC and ensure availability of all inputs from DDP/Acquisition Wing, Def (Fin) and SHQ to the TOC.
- The TOC report will be submitted to the Defence Secretary for approval.

FIELD EVALUATION TEST (FET)

- Shortlisted vendors clearing TEC stage – to send their equipments to India for trial or if the equipments cannot be transferred, then a representative from India will be sent to vendor premises to conducting the trial and examine the equipment.

- To be conducted by SHQ against the terms of reference mentioned in the RFP & features claimed in technical bid

- RFP also contains the trial methodology for such equipments and / or technology and SHQ has to stick to the same methodology for examination and the vendor knows before hand the parameters on which the evaluation should be based.

- In case the equipment or technology is to be procured from outside then the shortlisted vendors can be required to send a small no. of units of the same equipment to India for the FET.

- Service HQ in consequence of its responsibility has to formulate a '*Trial Directive*' in conformity with the trial methodology prescribed under the RFP and will constitute a team for trial which may include representatives from Acquisition Wing(in the capacity of an observer), DRDO and Quality Assurance agencies depending upon the requirement.

- The validation of the support system and maintainability trials, integral to and complimenting the trial programme of the weapon system, should be held simultaneously, wherever feasible.

FIELD EVALUATION TEST (FET)

- FET shall be conducted by the user and a detailed Field Evaluation Report shall be drawn up and sent to SHQ for Staff Evaluation.
- It is also advisable to conduct the FET in the service condition where it is most likely to be deployed wherever the same is feasible. If this is not possible, then the vendor has to provide the Service HQ a certificate for functional effectiveness of the equipment under the said service conditions. These aspects of testing in service condition should also be mentioned in the RFP.
- After each phase of the trial, a debriefing of the vendors should be carried out in a common meeting with respect to their equipment's performance and a compliance report can be shared with the vendors at this stage and correspondence should be documented within a week.
- Where procurement pertains to the items which are relatively low in value and are being procured in large quantities, the cost of items that are provided for FET shall be reimbursed to the vendors who will qualify the FET.

FIELD EVALUATION TEST (FET)

- The requirement of FET/NCNC Trials will not be applicable for procurement cases in respect of acquisition/construction of Ships, Submarines, Yard Craft, Tugs, Ferry Craft and Barges, where there is no prototype available for conduct of NCNC Trials. However, Technical Evaluation and Delivery Acceptance Trials for these will be carried out.

- Joint Procurement - the representatives of each service shall be included in the Trial Team.

- For Trial of technology, which is sought to be procured, a representative of the Indian Production Agency may be nominated to the said Trial Team in the capacity of an Associate Member.

- Where an equipment produced by one OEM is fielded by two or more vendors, then the testing will be conducted for each and every offer. However, if the said equipment is being jointly fielded by the Indian vendors, then testing can be conducted once upon request by such joint vendors who will provide an undertaking that the results of the FET shall be accepted jointly and severally.

- FETs will be conducted on an *No Cost No Commitment basis.*

FIELD EVALUATION TEST (FET)

- If the FET is being conducted through computer simulation, the precise contours of the FET shall be included in the SoC and has to be placed before the Categorization Committee for approval.
- There may be cases when, during the process of trials in India, it emerges that certain validations need to be carried out abroad in the vendor premises.
  - This may be necessitated due to export restrictions, security related issues, availability of testing infrastructure/platforms or such like reasons.
  - Permission for such validations to be carried out abroad would have to be sought from the DG(Acq).
  - Similar actions would be taken in the cases where Trial Teams are deputed abroad for evaluation purposes.
- In cases concerning assembly or system integration or procurement of sensitive equipment, the Acquisition Wing is empowered to appoint a Multi-Disciplinary Technical Delegation comprising of representatives from user service, DRDO, Maintenance agency, QA agency and the TMs which can travel abroad for conducting the evaluation.
- This delegation can be accompanied with a '***Empowered Committee***' who can handle contract negotiation. In addition, AMs and FMs or their representatives will be included in the Empowered Committee. Such committee would be constituted after due approval of the DPB.

FIELD EVALUATION TEST (FET)

- Any vendor or vendors who fail to present the proposed equipment for trial on the stipulated date and time can be given a grace period of 15 days and an additional grace period (to be awarded in exceptional cases) within which they have to present their equipment for trial.

- Extension of time has to be approved by SHQ having regards to the practical time required for conducting the trials.

- Further extension in extraordinary cases may also be awarded provided a request for the same is presented by the vendor and upon verification of the reasons, is duly approved by SHQ.

- If the vendor fails to present its equipments despite the extension or fail to provide a satisfactory reason for seeking an extension, then the same shall be disqualified from further procurement process.

- Wherever feasible, the entire trials viz. user, technical, Maintainability Evaluation Trials (MET) and EMI/EMC trials would be conducted simultaneously in order to save time.

- The FETs should be completed prior to the beginning of the work by the Contract Negotiation Committee. In cases where subsequent confirmation/ validation are merited, the same would be approved in the Staff Evaluation Report and duly recorded in the CNC minutes. Approval of CFA would be sought specifically on such issues.

STAFF EVALUATION TEST (SET)

- SET - primarily responsible for examining the results of the FET and thereafter shortlist the equipment for induction into the service.
- The Staff Evaluation Report (SER) has to be prepared by the Service HQ and forwarded to the TMs and any concerns of the latter on the said report has to be addressed in a collegiate manner.
- The SER is examined by the TMs upon which a report will be submitted to the Acquisition Wing of the Ministry of Defence with recommendations for approval or rejection.
- In case no vendor is able to clear the FET, then the case will move towards foreclosure upon receiving due approvals in this regard by the Directorate General of Acquisition Wing.
- Thereafter process will be initiated for issuance of a fresh Request for Proposals and reformulation of the SQRs. The reasons for disqualification of the vendors after the FET has to be informed by the TM to the concerned vendors.
- Where more than one vendor clears the FET but only one vendor and its equipment is shortlisted during Staff Evaluation, then such a situation should not be considered as a single vendor situation

CONTRACT NEGOTIATION COMMITTEE (CNC)

- Upon acceptance of SER, a CNC has to be constituted.
- CNC is tasked with the responsibility of opening the commercial bids of the vendors who have been shortlisted from the technical evaluation process at a notified date in the presence of the shortlisted vendors. The bids will be read out aloud to all the members present and will be signed by all the members of CNC. The CNC would carry out all processes after opening of commercial bids, till the finalization of CNC report.
- In those cases, wherein the Field Evaluation is not undertaken, there is no need to constitute a Costing Committee and the entire benchmarking of the commercial bid has to be undertaken by the Contract Negotiation Committee and accordingly, it needs to be constituted within a week of acceptance of the TEC Report.
- In procurement cases involving acquisition of technology along with its maintenance infrastructure, the maintenance contract involving the OEM and the industry receiving the technology would also be negotiated along with the main contract.

Contract Negotiation Committee (CNC) - PROCESS

Preparation of Compliance Statement -

- depicting a comparative study of the commercial bids of the shortlisted vendors vis-à-vis the terms of the RFP.
- Benchmarking and preferably a separate statement with respect to any deviations in the commercial bid vis-à-vis the RFP with respect to either delivery timelines, or guarantee or warranty provisions or criteria, etc. should be made.
- This analysis forms the basis for further shortlisting.

Preparation of Comparative Statement of Tenders (CST)

- for the purposes of evaluating the offers which are capable for being accepted on technical grounds and determine the lowest bidder also known as the L1 vendor.

Formation of Contract with L1 bidder

- no further price negotiations should take place if quotation is reasonable.
- In this regard the benchmarking of the Costing Committee becomes crucial. Wherever necessary, services of experts or information from institutional sources may be utilised by the CNC for revalidating the benchmark price for a given scheme.
- Aspects of advance and stage payments (where applicable) should also be given upfront in the RFP so that it facilitates selection of L1 vendor.

Contract Negotiation Committee (CNC) - PROCESS

- **Failure to adhere to deliverable timeline**
  - If Failure is complete – then CNC can distribute the work order amongst the vendor who are next in line i.e. the L2 and L3 vendors and further, if the need be in that order.
  - Subject to the condition that other tenderers accept the price and terms & conditions quoted by the lowest tenderer.
- Cases in which contracts have earlier been signed and benchmark prices are available, the CNC would arrive at the reasonable price, taking into consideration the escalation/foreign exchange variation factor.
- The endeavor should be to conclude the CNC early so that the operational/urgent requirement of the indenting Service is met in a time-bound manner.
- Repeat Orders – there could be downtrend of prices since the last contract – CNC to verify

CONTRACT NEGOTIATION COMMITTEE (CNC) - PROCESS

For ensuring continued support of L1 vendor to the life-cycle of the procured equipment – CNC to negotiate -

- Guaranteed supply of information regarding every aspect of the product which will be required for its efficient operation, improvements and required modifications.
- Obsolescence management and life time purchases.
- An illustrated spares price catalogue with base price and pricing mechanism for long term.

Fall Clause

- An undertaking is required to be submitted by the L1 vendor stating that it has not supplied the same equipment or similar systems or sub-systems at a price below that the quoted price in the commercial bid of the present offer with respect to any other official wing or ministry of the government.
- If the said vendor has supplied such a system as per the terms mentioned before then the details of the said supply i.e. cost, timeline of delivery, quantities, etc. should be disclosed in the commercial bid.
- If the vendor does submit an undertaking in this regard and it is later found out that it has previously contracted with other offices of the government as per the terms mentioned above then that very price with due allowance for quantities and intervening time period would be applicable to the present case and the difference in the cost would be refunded by the Bidder to the Buyer, if the contract has already been concluded.

CONTRACT NEGOTIATION COMMITTEE (CNC) - PROCESS

Return of Commercial Offers

- In certain cases, the validity of the commercial offers so submitted may expire before the decision with respect to the shortlisted vendors based on the staff evaluation report may be submitted. In such cases, the vendors may be asked to extend the validity period of the commercial offers or submit a fresh commercial bid.
- Similarly, the vendors who do not clear the stage of technical evaluation process or the staff evaluation then their commercial offers should also be returned to them unopened.

Retraction for RFP

- Those cases of procurement that are retracted or closed for revision in the operational structure and policy or change in the categorization category or for any other reasons of financial restrictions, then the retraction of such cases shall be approved by the AoN according authority.
- Retractions and foreclosures for reasons other than above including those at GS Evaluation stage may be approved by DG(Acq) & VCOAS/VCNS/DCAS/CISC49/DG ICG for MoD & Delegated powers cases respectively.

Contract Administration – Service HQ

Post-Contract Monitoring – DG (Acquisition)

COMPETANT FINANCIAL AUTHORITY (CFA)

Approval of Competent Financial Authority (CFA)

- CNC's decision – Recommendatory & in the form of a comprehensive report indicating the selection made and the justification of the same.
- The said CNC report should be signed by all the members of CNC for the purposes of ensuring accountability and predictability certifying the non-existence of bias in the decision so taken.
- The CNC Report should comprise of the following information:

(a) A brief background to the requirement.
(b) Composition of the CNC.
(c) An explanation of the commercial evaluation process, selection criteria and commercial evaluation matrices, if used.
(d) Brief description of different phases of the commercial negotiation process.
(e) Draft Contract Document, duly vetted by all the stakeholders.
(f) A summary of the recommendations.

- The said report submitted by the CNC will be forwarded to the Acquisition Manager at the Service HQ for the purposes of getting the expenditure cleared and get the report approved by the CFA.
- Once the report is approved by CFA and the L1 vendor is declared a draft contract may be prepared which may be vet by the CNC and will send to for approval to the Competent Financial Authority.

Benefits of DDP 2016

Introduction of L1 – T 1 Methodology for Award of Contract -

- This scheme essentially indicates that the vendor who is selected for the award of the contract under the aforesaid procurement category many not necessarily be selected on the criteria of the lowest bid which is more popularly known as the *L1 Vendor*. Rather, a defence procurement contract under the aforesaid category should be awarded to a technically compliant vendor having due regards to the commercial and the technical aspects offered in a proposal made by qualified vendors.

Enhanced Performance Parameters

- EPP which are so called the desirable parameters which makes an equipment or technology capable of better performance and takes it a notch higher than the essential parameters.

- This new provision also aims to incentivise the vendors to go beyond mandatory criteria and add any contemporary features to their equipment which can lead to enhancing their chances of selection. EPP attracts an addition credit score of 10 %

OTHER KEY FEATURES OF DPP 2016

STANDARD CONTRACT DOCUMENT

- contains a set of general clauses which is intended to serve as a guiding point for all acquisition contracts and process.
- While the nitty-gritty of the contract would vary depending upon the nature of procurement
- though Central Govt can digress from SCD

INTEGRITY PACT

- Applicable for procurement schemes which are over and above 20 crores
- In cases of procurement pertaining to '*Buy*' and '*Buy and Make*', the Indian and foreign vendors submitting multiple bids will have to submit only one Integrity Pact.

EQUIPMENT INDUCTION CELLS

- Equipment Induction Cells will be established for those high-end projects by the Service HQ on a case to case basis and its purpose would be to handle induction of complex and high end equipments and assist in planning the required facilities for creating the maintenance or inducting the maintenance infrastructure of that equipment.

OTHER KEY FEATURES OF DPP 2016

AMENDMENT TO CONTRACT

then an assessment has to be carried out with respect to the financial implications of such an amendment and this task should be carried out through a 'Professional Offers Valuation'. However, the powers of POV will only be invoked if the proposed amendment is with respect to a change of equipment / component or its modification

LIQUIDATED DAMAGES

In the event the vendor contracted with fails to submit the required Bonds or Gauarantee documents or any other documents or delays the delivery, the government may withhold the payment of the said vendor as per the terms specified in the contract unless the concerned errors are rectified

DEVIATIONS FROM DPP

On approval of DAC

REPEAT ORDERS

- The cases of Repeat Order may fall within any of the following categories:

(a) Additional Quantities. This may be necessitated to make up for deficiency in the existing scaling or to cater for the requirements due to new raisings/War Wastage Reserves (WWR)/sector stores.
(b) Replacement Equipment.
(c) Major-assemblies/sub-assemblies/Special Maintenance Tools (SMT)/Special Test Equipment (STE)/maintenance/integration of Buyer Furnished Equipment (BFE).
(d) Spares for All Levels of Maintenance. It must, however, be ensured that when spares etc are procured from OEMs of sub-assemblies, the assurances/warranties extended by the OEM for the main equipment retain their validity.

- Process starts at AoN stage provided it is placed within 5 years from the date of completion of the warranty on final delivery against the previous contact
- Repeat order in such cases would be considered as Single-Vendor Contract and the SQRs & RFP of the present order remains the same as the previous order
- The AoN has to be additionally approved by DPB in case the procurement has a cost implication of the equipment is up to 500 crores and DAC in case the procurement has a cost implication of the equipment is over and above 500 crores.
- Once the AoN is approved, a commercial RFP shall be sent to the same vendor, but the quantities so ordered cannot exceed the total no of quantities placed in the previous order except for procurement under Buy and Make'/'Make'/ 'Design & Development' cases

INTER-GOVERNMENTAL AGREEMENT

- Defence Procurement Agreement in pursuance of international political diplomacy
- The following categories of cases will under such exceptional provision:

(a) Identification of Equipment of proven technology and capabilities which have been used by the armed forces of friendly nations by the armed forces of our country.

  - This can be identified by them during their professional visits to the base camp of such countries or during joint exercises.
  - In case the same variety of equipment is available in multiple countries then a delegation may be constituted to conduct a survey and recommend the vendor which provides the best operational requirement.

(b) Procurement of large scale weaponry system or equipment or warfare platform which has been used by another country and now it is available for a transfer or sale. Second-hand use – cost of procurement should be less

(c) Procurement of a customized state-of-the-art equipment or platform, however, the OEM or the country to whom the OEM belongs could have imposed certain restrictions on its transfer or sale.

  - Through the route of Inter-governmental agreement, these equipments or platforms could be brought to India on lease for a specific period of time to assess its performance and then take a decision to whether purchase it or not.

INTER-GOVERNMENTAL AGREEMENT

- ToT + Maintenance Infra – advisable to procure through IGA route
- Under IGA – Procurement contract may be awarded to a vendor who might not otherwise be the lowest vendor but awarding a contract would foster strategic partnerships, diplomatic relations, or for maintenance of peaceful and cooperative political, economic, technological or military benefits with the country to which the said vendor belongs
- Such decisions to be taken by CCS
- IGA –DPA – exempted from following DPP 2016 / SCD
- Approval of DAC required

Chapter III – Procedure for Procurement under MAKE Category

PROCUREMENT UNDER MAKE CATEGORY – A BRIEF INTRODUCTION

- Achieving Self-reliance in the defence production and manufacturing is a long-standing dream of the Indian defence sector.
- objective that the design and development of required defence equipment/system/platform or up-grades thereof; and components, parts, materials and assembly/sub-assembly by Indian industry, R&D organizations, academic institutions or their combination can be established and developed domestically.
- Defence Production Policy 2011 - establishing and nurturing self-sufficiency in the sphere of defence manufacturing is not only vital strategic and economic imperative but is also crucial in strengthening our defence industrial base by developing domestic capabilities and to further explore opportunities for export from this sector to meet the needs of the other countries
- Make Category – introduced in 2013 – 2016 DPP simplifies the procurement process – for enabling requisite investment
- Striking Co-relation to the Make-in-India Policy which aimed for development of indigenous capacity in various key sectors of the country including the defence industrial base.

SUB-CATEGORIES OF PROCUREMENT

Make – I – Government Funded	***Make – II – Industry Funded***
Govt Funded Project upto 90% for prototype development Phased Funding	Self-Funded

Make Project Management Unit (MPMU)

- To be estd by each SHQ
- Composition – helmed by officer of rank of two stars or equivalent – tenure of 3 years
- Key Functions
  - Closely monitor the implementation of 'Make-I7' projects for the corresponding SHQ.
  - Ensure timely development and implementation.
  - Assign responsibilities and hold task owners accountable for delivery.
  - Identify potential issues that will impact project cost or delivery and resolve them swiftly.
- MPMU is also empowered to get on-board expert practitioners from core areas of finance, legal and technology either engaged in public or private sectors of the countries in the capacity of 'Consultant' and the expenses of these consultants shall be borne by the Service HQ.

Procurement Process

- Advance Planning and Consultations.
- Feasibility Study.
- Preliminary Services Qualitative Requirements (PSQRs).
- Categorisation and accord of Acceptance of Necessity (AoN) by the competent body.
- Constitution of IPMT.
- Preparation of Project Definition Document (PDD).
- Expression of Interest (EoI).
- Selection of Development Agency (ies) (DAs).
- Detailed Project Report (DPR).
- Approval of CFA and Funding Arrangements.
- Design and Development of Prototype.
- User Trials by SHQ.
- Staff Evaluation.
- Solicitation of Commercial Offers.
- Commercial negotiations by Contract Negotiation Committee CNC).
- Award of Contract.

Advance Planning and Consultation

- LTIPP – SHQ to identify (upon due consultation) a potential list of projects for this category
- Draft PQSR to be submitted to IDS for inclusion in relevant medium term and short term plans, as per the projected induction timeframes and estimated timelines for development of prototype.
- Classification of Projects under this category if:
  - Projects that entail designing and developing of weaponry, equipment, platforms or system assemblies or any other related upgrades in which harnessing of critical technologies and large infrastructure are involved for integration or manufacturing process.
  - A development period of not less than 3 years is applicable to such cases.
- The Projects under this category wherein the tentative or the estimated cost for development of the prototype is not more than 10 crores and the cost of subsequent procurement is not more than 50 crores per annum will be reserved to be manufactured by MSMEs.
- However, if no MSMEs express their interest in development the said project, then the same shall be opened for all under the condition that interested MSME(s), if any at that stage and meeting the eligibility criteria, will get preference over Non- MSMEs in selection of DAs

Advance Planning and Consultation

- AAP for 'Make' would be prepared, approved and maintained as per provisions in Chapter I of DPP.
- The potential list of projects for which deliberations have been taken place and has been approved in principle shall be published on the website of the Ministry of Defence along with
  - Project briefs,
  - Questionnaire for Industry and
  - Project Manager Details

in order to invite the willingness of Industry to participate in the aforesaid potential 'Make-I' projects.

Feasibility Studies

- To be conducted by SHQ for proposed Make Projects
- objective - examine and cull out those projects which the defence industrial base of the country is capable to designing and manufacturing within the prescribed timeframe.
- Consultation process through Committee - optional.

Parameters of Feasibility Studies
Long-term interests of MoD for indigenous development of capabilities, both in terms of manufacturing and technologies, within the Indian industry
A preliminary assessment of enabling technologies to realise the requisite equipment/system/platform/components or their upgrades; and their availability or accessibility to Indian industry
Capability Assessment of Indian industry to undertake design and development of the requisite equipment/system/platform or their upgrades; and likely achievable indigenous content at prototype stage as well as production stage

Parameters of Feasibility Studies

Long-term interests of MoD for indigenous development of capabilities, both in terms of manufacturing and technologies, within the Indian industry
A preliminary assessment of enabling technologies to realise the requisite equipment/system/platform/components or their upgrades; and their availability or accessibility to Indian industry
Capability Assessment of Indian industry to undertake design and development of the requisite equipment/system/platform or their upgrades; and likely achievable indigenous content at prototype stage as well as production stage
Estimated time period for development.
A preliminary assessment of capability of Indian industry with respect to quantities envisaged for procurement during the 'Buy (Indian-IDDM)' phase and timelines
Estimated Cost of prototype development phase and for subsequent procurement
Number of DAs to be selected based on the cost of prototype development, quantities required or any other consideration. (Feasibility Study will generally recommend not more than two DAs, however in exceptional case, with due justifications, it can recommend three DAs).

phase under 'Buy (Indian-IDDM)' category & Suggested sub-category under 'Make' procedure.	Exit Criteria

Preliminary Service Quality Requirements (PQSR)

- Based on the outcomes of the aforesaid Feasibility Study Report, the Service HQ to draft PQSR
- Essential Parameters to emphasize on those technologies that are already in existence in the Indian market.
- Desirable Parameters – optional
- Draft PQSRs to be published for inviting comments from govt & industry experts
- The PQSRs shall form a part of the Statement of Case (SoC) and approval in the form of AoN for the same shall be accordingly sought.

Categorization and Accord of Acceptance of Necessity (AoN)

- Feasibility Study Report + PQSR + SoC + Prospective DAs + Exit Criteria – to be submitted to HQ IDS who in turn will examine the interoperability and commonality of equipment for the services.
- Upon receiving inputs from HQ IDS, SHQ to refer the matter to Categorization Committee (constituted as mentioned previously)
- Categorization Committee will refer the matter to the AoN According Agency
- The approval on Acceptance of Necessity shall be sought on the basis of the total estimated cost of developing a prototype in the development phase and the final cost of procurement under '*Buy (Indian-IDDM)*'.
- Validity – 1 year

Integrated Project Management Unit (IPMT)

- DDP / SHQ to constitute IPMT – to prepare and submit periodic biannual progress reports to the DPB who shall provide policy guidance, if required, to the projects undertaken under the 'Make Category'.

- Preparation of Project Definition Document (PDD).
- Short listing of Indian companies/organisations for the purpose of issuing EoI.
- Preparing EoI and obtaining approval thereof from the PSO concerned at SHQ and issue of EoI.
- Assessment and Ranking of EoI responses and obtaining approval for selection of DAs from DPrB.
- Receipt and evaluation of DPRs from short-listed DAs.
- Finalisation of DPRs on technical, financial and other aspects.
- Preparation of draft Project Sanction Order ('development contract').
- Obtain CFA approval, through DDP, as per extant delegation of financial powers detailed in Appendix B to this Chapter.
- Monitoring and reporting of aspects relating to prototype development including generation of Intellectual Property.
- Any other responsibilities as may be entrusted by the DAC/DPrB/PSO at SHQ.

PROJECT DEFINITION DOCUMENT (PPD) AND EXPRESSION OF INTEREST (EOI)

- IPMT to prepare PDD which will be a principle guidance document for the preparation of the DPR.
- Shortlisting of the requisite Indian vendors for the purposes of issuing the Expression of Interest shall be carried out by IPMT from the broader list of vendors operating in the defence sector of India sent by Service HQ – to be published on MoD website
- Relevant extracts of PSQRs would be circulated as part of the EoI, issued only to Indian vendors short-listed by IPMT
- The criteria for assessment of the responses received in pursuance of the Expression of Interest so issued, shall also be indicated in the said EoI document.
- The vendors to whom the EoI is issued can either choose to respond individually or can form a consortium and then make a joint application. Such a consortium is called as 'AoP'.

SELECTION OF DEVELOPMENT AGENCY(IES) (DAs)

- IPMT to assess applications based on EoI parameters especially focussing on test, production, R&D, system integration and technological capabilities in India, including past experience and performance of EoI recipients
- Such an evaluation shall be forwarded by IPMT to the Defence Production Board through the Service HQ for shortlisting few vendors. The vendors so selected shall be referred to as 'Development Agency(s)

Detailed Project Report (DPR)

- IPMT to assess applications based on EoI parameters especially focussing on test, production, R&D, system integration and technological capabilities in India, including past experience and performance of EoI recipients
- Such an evaluation shall be forwarded by IPMT to the Defence Production Board through the Service HQ for shortlisting few vendors. The vendors so selected shall be referred to as 'Development Agency(s)
- Selected DAs to prepare DPR
- DPR to be assessed by SHQ and submitted to AoN according agency

APPROVAL OF COMPETENT FINANCIAL AUTHORITY (CFA) AND FUNDING ARRANGEMENT

- Cost Estimates in DPR to be approved by CFA
- Funding for such projects shall be categorized as 'Make-Procedure Prototype Development Account' and the expenditure for the same shall be borne by the respective Service HQ.
- Make-I Projects – Funding – 90 % - govt & 10 % self-funded by Das – guidelines for cost sharing arrangement – Annexure G
- IPMT to prepare a **'Project Sanction Order (PSO)'** & sent to DDP for approval
- Advance of 20 % of the total cost of development of the prototype shall be paid against the bank guarantee. – remaining to be released in phased manner in the form of re-imbursements – 60 days
- If Commercial RFP for the equipment, for which prototype has been successfully developed, is not issued within two years from the date of successful completion of prototype development, the DA(s) will be entitled for reimbursement of remaining 10% of the prototype development cost.
- The same shall be written off with the approval of the Competent Authority.

APPROVAL OF COMPETENT FINANCIAL AUTHORITY (CFA) AND FUNDING ARRANGEMENT

Access to Books of Accounts

- The DAs are requires to prepare and maintain separate books of accounts with an independent bank for the projects that are being undertaken under the Make – I – Category of Projects and the Ministry of Defence shall have access to the same.

Cost Overrun

- Cost Overruns if any shall be approved by the CFA on the basis of the suggestions given by CFA.

Time Overrun

- Deadlines for projects under Make category shall be extended only up to 20 % of the total time agreed and recorded in the DPR.
- Any further extension shall be referred to Defence Production Board.

DESIGN AND DEVELOPMENT OF PROTOTYPE

PHASES OF DESIGN AND DEVELOPMENT		
Project Definition Phase	**Preliminary Design Phase**	**Detailed Design Phase**
This phase requires the DA to mobilize funds and resources required for beginning the operations including development laboratories etc., as specified in the agreed DPR	In this phase, the various parameters of designing a prototype is determined including the aspects relating to **configuration, performance in compliance to user's requirements and trade-off in the design.** This also takes into consideration various tests and studies to be conducted	an elaborate and detailed design of the prototype and the supporting systems is required to be prepared the specifics of which are to be finalized in the PSQRs. Any variance in the same where-ever permissible shall be accepted and Engineering design documents, drawings, process planning would be firmed up. These shall be followed by critical designs review and can be accordingly suggested to be modified.

DESIGN AND DEVELOPMENT OF PROTOTYPE

PHASES OF DESIGN AND DEVELOPMENT		
Fabrication or Development Phase	**Phase of Test and Analysis**	**Integration Phase**
This phase entails production or manufacturing of various component of sub-assemblies depending upon the specifications agreed under the detailed design phase. Limited quantities, as given in the EoI and agreed to in DPR, can be fabricated/developed against the total prototype quantities required for subsequent stages.	This phase entails conducting of testing and evaluation of several aspects of system and sub-system, verification of software, testing of design through simulation, etc. The phase of testing may require using of specialized resources like conduct of proof firing and extensive firing trials for weapon systems. Provisioning of laboratory and other in-house facilities and special equipment, if any, shall be made on terms and conditions as agreed upon in the approved DPR.	Under this stage, the various systems and their sub-components are assembled and integrated together, and a 'System Integration Testing' is carried out as per the procedure prescribed. The integration procedure, the interface details, the performance and assembly of modules/sub systems would be finalised.

DESIGN AND DEVELOPMENT OF PROTOTYPE

PHASES OF DESIGN AND DEVELOPMENT

Performance Evaluation Phase

Once the system integration and testing is complete, the prototype so developed shall be undertaken for technical and field trials subject to certain restrictions, in order to examine and analyse the overall performance of the same and the results shall be verified against the pointers mentioned in the SQRs by the development agencies and IPMT.

Based on the results of the tests which will be so conducted, certain suggestions may be received with respect to modification of the prototype or redesigning of the same. Once modified the prototype shall be tested again and this will be a continuous process until the prototype is finalized.

Once the prototype is finalized, the IPMT shall carry out '*User Trial Readiness Review*' prior to conducting the User Trials.

USER TRIALS

- To be conducted by SHQ with IPMT to examine and certify the performance of the equipments or system assemblies so developed
- SHQ to prepare Trial Directive based on PQSR and SQRs and constitute a Trial Team which may include a representative of DRDO and QAs.
- Trial Directive needs to indicate the essential parameters against which the said equipment should be tested.
- The validation of the support system and maintainability trials, integral to and complimenting the trial programme of the defence equipment/upgrades/product/system should be held simultaneously, wherever feasible.
- Based on the recommendations received from the user with respect to the equipments that has been tested especially with regards to ease of handling and maintainability, the DA can be asked to incorporate the said changes.
- DPR will clearly include the list of trials/items/facilities/consumables, which will be provided free of cost during trials

STAFF EVALUATION

- To be conducted by SHQ with IPMT to examine and certify the performance of the equipments or system assemblies so developed
- Depending upon the results of the User Trials, the Service HQ has to conduct Staff Evaluations which would indicate the whether the performance demonstrated by the equipment under User Trial has complied with the requirements raised under the SQRs.
- Once the Staff Evaluation Report has been accepted and the final claim of reimbursement for the development of prototype as per the DPR has been made, then no further funds will be released to the aforesaid account.
- Thereafter the equipment will be proceeded to be procured under the 'Buy – Indian (IDDM)' category as per the norms mentioned under Chapter II except to the extent identified below.
- The quantities in the 'Buy (Indian-IDDM)' phase cannot be reduced from the quantities indicated in EoI issued for the prototype development phase.

SOLICITATION OF COMMERCIAL OFFERS

- Once the User Trial and the Staff Evaluation has been conducted, a 'Request for Proposal (RFP)' shall be issued to the selected agencies for inviting their commercial bids with respect to the project.
- At this stage any further additional information may be asked for.
- In case of AoP, the RFP shall be issued to the lead partner who will submit an undertaking to supply the required quantities under Buy (Indian-IDDM) phase with life cycle support for the product.
- An Integrity Pact as identified under Chapter II shall be entered into.

COMMERCIAL NEGOTIATIONS BY CNC

- Similar, to its duty under Chapter II, the CNC Committee shall be responsible for conducting the processes from opening of commercial bids till conclusion of contract.
- Those projects which requires supply of equipments in large quantities and where multiple technology solutions are acceptable, then an additional approval by either the DAC / DPB
- Upon receiving approvals of the CFA, the procurement contracts shall be signed by the Acquisition Manager or the Director of Procurement in the Acquisition Wing of the MoD.

FORECLOSURE

- Provisions for a premature closing down of the projects that have been undertaken under the Make-Category if it doesn't meet the milestones prescribed under DPR or
- if there are any cost or time overruns without any reasonable justifications or if the prototype fails to meet the user requirements.
- Foreclosure shall be approved by the authority which accorded the AoN.
- The expenditure incurred by the DA until the foreclosure is announced on the prototype development will be calculated and if any extra or additional funds have been paid to the DA, then the same shall be recovered.
- If the expenditure is more than the amount paid, then the balance shall be reimbursed to the DA.

DISPOSAL OF TANGIBLE ASSETS CREATED BY MAKE-I PROJECTS

- Ministry of Defence shall be considered as the de-facto owner of any tangible asset which was used in the manufacturing of the prototype under the Make-I category of projects and may be passed to DA at the depreciated value.
- In case of a foreclosure, the tangible asset can be discarded as per the extant government guidelines.

Chapter III-A
Procedure for Procurement under MAKE-II Category

Background

- Introduced in 2016
- This sub-category focuses upon indigenous development of equipment/system/platform or their upgrades or their sub-systems/sub-assembly/assemblies/components with focus on import substitution.
- Government doesn't finance the expenses incurred for the development of the prototype but nonetheless assures that it shall purchase the defence equipment or the system once the prototype if successfully developed and tested for efficiency.
- This chapter therefore envisages a separate process selection of vendors for the development of the prototype and the process to conduct various forms of trial for the prototype along with the means and sources of generation of finances for the same.

BACKGROUND

- Aims to engage a broader participation from the industries operating in the defence sector of the country with a special focus on the development of the MSME or the Start-Up Sector operating in manufacturing of defence products
- Once the prototype is successfully developed and passes the trial phase, the equipment or systems so produced with the assistance of the prototype by the DAs shall be procured through the procurement category of 'Buy-Indian-IDDM' but it should have a minimum of 40 % of Indigenous content and hence the procurement process under Chapter II shall be thereafter followed.
- Projects under the Make-II sub-category, with estimated cost of prototype development phase not exceeding Rs. 3 Crore and cost of subsequent procurement not exceeding Rs. 50 Crore/year based on delivery schedule at the time of seeking AoN, will be earmarked for MSMEs. If no MSME expresses interest for a Make-II program earmarked for them, the same may be opened up for all.

MAKE PROJECT MANAGEMENT UNIT (MPMU)

- Same as Chapter III

DEVELOPMENT AND PROCUREMENT PROCESS UNDER 'MAKE-II' CATEGORY

- Advance Planning & Consultations, and Feasibility Study.
- Formulation of Preliminary Staff Qualitative Requirements (PSQR).
- Constitution of Project Facilitation Team (PFT).
- Categorisation and Accord of Acceptance of Necessity (AoN).
- Issue of Expression of Interest (EoI).
- (Evaluation of EoI responses.
- Award of Project Sanction Order.
- Design and Development of Prototype.
- Conversion of PSQRs into SQRs.
- Solicitation of Commercial Offer.
- User Trials by SHQ.
- Staff Evaluation.
- Commercial negotiations by Contract Negotiation Committee (CNC).
- Award of Contract.

ADVANCE PLANNING AND CONSULTATION

- SHQ - ‘Collegiate Committee’ headed by Secy, Def Production for stakeholder consultation in reference to modification or approval of Prototype Development Proposal and subsequently to be published on MoD website
- This approval is also known as ‘Approval in process’.
- DRDO is free to tie-up with industry to participate in such projects within established timelines.
- Once ‘Approval-in-process’ is accorded, the Service HQ shall draft an exhaustive Questionnaire within a period of 2 weeks presenting answers to various possible concerns and aspects of the proposed list of projects and seek necessary inputs for preparation of the Feasibility Study Report which shall be prepared within a period of 4 weeks from the date on which Questionnaire is uploaded.

ADVANCE PLANNING AND CONSULTATION

- ANNUAL ACQUISITION PLAN (AAP) - MAKE-II
- Those projects under Make-II Sub-category which is proposed to be developed on a tentative cost of less than 300 crores shall be incorporated in the Annual Acquisition Plan once the AoN for the same is given.
- For other such projects which are proposed to be developed on a tentative budget of more than 300 crores shall be incorporated under the Annual Acquisition Plan for Make-Projects as mentioned under Chapter III.

FEASIBILITY STUDIES

- Service HQ to conduct a 'Feasibility Studies' in collaboration with all relevant stakeholders like representatives from HQ IDS, DRDO and DDP, Advisor (Cost) and MoD (Finance)/IFA for examining the following aspects:
- (a) A preliminary assessment of capability of Indian industry to undertake design and development of the requisite equipment/system/platform or their upgrades and subsequently supply the quantities envisaged for procurement during the 'Buy (Indian- IDDM)' phase and timelines.
- (b) Estimated time period for development.
- (c) Estimated Cost of prototype development phase and for subsequent procurement phase under 'Buy (Indian-IDDM), category.
- (d) Any other aspect considered important.
- Service HQ is also free to involve '**Standing Consultancy Firms**' to provide expert advice in the process of conducting the said study, as well as designing and drafting any Industry outreach programmes, preparation of EoI and evaluation of EoI etc.
- Expenses for engaging Standing Consultancy firm will be borne by SHQ.

PRELIMINARY SERVICE QUALITY REQUIREMENTS (PQSR) AND STATEMENT OF CASE (SoC)

- Same as before

PROJECT FACILITATION TEAM (PFT)

- SHQ to constitute a 'PFT under Head, MPMU and shall comprise of representatives from SHQ, DDP, DGQA/DGAQA/DGNAI, MoD(Finance)/IFA as required and other experts if considered necessary.
- Functions:
  - Preparing EoI, obtaining approval in SHQ and issue of EoI.
  - Receipt & evaluation of EoI responses.
  - Preparation of draft Project Sanction Order, obtaining requisite approvals and issue of Project Sanction Order.
  - Monitoring and reporting of aspects relating to prototype development including generation of Intellectual Property.
  - To present Progress report to DPB in every 6 months
  - Any other responsibilities as entrusted by the SHQ/Ministry.
- The Feasibility Report should be submitted to the PFT for finalization and once finalized it shall be presumed to have the concurrence of all the concerned stakeholders.
- PFT shall prepare the SoC based on this report and send it AoN according authority for seeking AoN as per the process mentioned under Chapter II.

CATEGORISATION & ACCORD OF AON

- SHQ to submit PFT & SoC – Categorization Committee – AoN According Authority highlighting:
- (a) Estimated time period.
- (b) Estimated development cost.
- (c) Likely production cost.
- (d) Quantity of order, preferably covering the requirement of five years, post the successful development of prototype.
- (e) Acceptability of Multiple Technological Solutions, if any.
- (f) Single vendor situation for cases where an innovative solution has been offered by an individual or a firm.
- AoN According authority shall ensure that system or the equipment which is sought to be developed should be developed and designed indigenously and the said AoN shall be based on the cost of subsequent procurement under 'Buy (Indian – IDDM)'."
- Validity – 6 months

ISSUE OF EXPRESSION OF INTEREST

- PFT to publish EoI to invite prospective vendors to bid for the projects under Make-II Category and shall also be issued to specific companies which have shown interest to participate in the project during Feasibility Study.

The EoI will contain the following:-

(a) PSQRs.

(b) Scope of the project including number of Prototypes required.

(c) Time frames and critical activities.

(d) Milestones.

(e) List of trials/items/facilities/consumables that will be provided free of cost and also specify 'number of times' such free trials will be allowed.

(f) Quantities in 'Buy (Indian-IDDM)' phase preferably covering requirements of five years.

(g) Acceptability of Multiple Technological Solutions, if any.

(h) Details of Evaluation Criteria for assessment of EOI.

- Shortlisted Vendors – Development Agencies

DESIGN AND DEVELOPMENT OF PROTOTYPE

- PFT to facilitate

  (a) Finalization of trial methodology.

  (b) Provision of requisite professional inputs/documentation to industry.

  (c) Providing clarifications related to functional or operational aspects of the equipment under development, as may be sought by the DAs from time to time, during the design and development of prototype.

  (d) Provision of trial range/test facilities/consumables, etc., as mentioned in the EoI.

  (e) Conversion of PSQRs to SQRs, prior to commencement of Users trials.

  (f) Issue of Commercial Offer in consultation with SHQ.

  (g) Coordinating user trials with the SHQs, based on the trial methodology. SHQ will formulate the Trial Directive and constitute the Trial Team. The Trial Directive must specify the fundamental points that need to be addressed for validating the 'essential' parameters.

- Once the prototype is developed, the PFT shall proceed with carrying out the requisite user trials.

SOLICITATION OF COMMERCIAL OFFERS

- DA shall receive a 'Commercial Request for Proposals' to submit their commercial bid.
- The Commercial RFP shall be duly vetted by the Acquisition Wing, MoD and / or the concerned Service HQ prior to its issue.
- Commercial bids shall be followed by the User Trials.

USER TRIALS & STAFF EVALUATION

- SHQ to conduct User Trials in collaboration and consultation with the PFT to further examine and if it passes, it can certify the efficiency of the system or equipment vis-à-vis the parameters approved under EoI.
- Trial Directive to be prepared containing the essential parameters mentioned under SQRs
- The validation of the support system and maintainability trials, integral to and complimenting the trial programme of the defence equipment/upgrades/product/system should be held simultaneously, wherever feasible.
- Service HQ may also engage representatives of DRDO and QA as a part of the Field Evaluation as required.
- The User may suggest necessary modifications in the prototype so developed for the purposes of ensuring the 'ease of handling' and maintainability of the system or equipment.
- **Staff Evaluation –** as per the process mentioned earlier

CONTRACT NEGOTIATION COMMITTEE

- CNC – same responsibilities as discussed previously
- In case of Multi-vendor projects like AoP, CNC shall carry out negotiations in their respective commercial bids.
- For products which are being developed under 'Make-II' as an import substitute and their prices are known, no benchmarking & no negotiation will be carried out, even in single vendor cases, if the offered price is lower than AoN cost by 20% or more.
- However, this fact has to be certified by the CFA that commercial bid received
- Once the commercial negotiations are completed and the prices are fixed, the procurement procedure prescribed under Buy-Indian-IDDM category shall be followed to procure the items from the successful DAs.
- A Pre-contract Integrity Pact as prescribed under the previous chapter shall also be signed. Further, the DAs may also be asked to sign a ‘Non-Disclosure Agreement (hereinafter to be referred to as NDA)’ depending upon the sensitive nature of the project.

PROJECT REVIEW, MANAGEMENT & MONITORING

- The progress of the projects under Make-II Sub-category shall be monitored regularly by the PFT under the overall guidance of the MPMU and the MoD may from time to time engage expert consultants in the review process as well.
- A periodic progress report shall also be submitted to the Service HQ or Defence Production Board.
- foreclosure Process – Same as previously

CHAPTER V – FAST TRACK PROCEDURE

AIMS & SCOPE

Objective :

- is to ensure expeditious procurement for urgent operational requirements of the Armed Forces, foreseen as imminent during war as well as peace time and for situations in which crisis emerges without prior warning.
- where timelines of the normal prescribed procedure in procuring of operationally critical equipment is seen to be adversely impacting the capability and operational preparedness of the Armed Forces.

Scope: Applicable to Buy Category – Outright purchase –

May or May not be a part of procurement planning

ACCEPTANCE OF NECESSITY (AoN)

- To be authorized by DAC
- The projected requirement must be related to an operational situation foreseen as imminent or for a situation where a crisis has emerged without prior warning or
- Adhering to timelines to cause delay in meeting the requirement
- The projected requirement, must identify
  - Requisite Item & its Quantity;
  - Mode of procurement,
  - Broad Operational Requirements (ORs)/Services Qualitative Requirements (SQRs) desired/
  - OEM defined specifications
- which meet the operational needs of the Service concerned and the time-frame within which they need to be inducted.
- More than one source of supply – Supply splitting ratio to be approved in advance

ACCEPTANCE OF NECESSITY (AoN)

DAC to accord AoN on the following parameters:

1. Equipment and Quantities Required
2. Source of Procurement (Next Slide)
3. Empowered Committee – Composition and Role
4. Estimated Cost of Proposal and
5. Time Schedule for induction

Once AoN is accorded, SHQ / AcqWing would initiate the procurement process

SOURCES OF PROCUREMENT

<table>
<tr><th colspan="2">Vendor whose equipment is already in service</th><th colspan="2">New Procurement</th><th>Friendly Terms</th></tr>
<tr><td>For additional quantities of an ongoing contract</td><td rowspan="3">Invoke Option Clause - In case the quantities required are in excess of the ‘Option Clause’ of the contract, the same would be clearly brought out for approval by the DAC. The quantity could be up to 100% with the approval of DAC</td><td rowspan="3">Single Vendor</td><td rowspan="3">Multi-Vendor</td><td rowspan="3">Procuring from any friendly foreign country, in-service/previously in-service equipment available for transfer/lease or sale</td></tr>
<tr><td>Placing Repeat Orders on Past Suppliers</td></tr>
<tr><td>A case where the vendor is not able to supply the entire quantity of required item and the procurement may be made from other known vendors whose equipment has been found acceptable in the past.</td></tr>
</table>

Procurement of equipment in active service

- In view of limited time schedules:
  - Solicitation of Commercial Proposals from vendor who has supplied in the past
  - Alternatively, Solicitation of Commercial Proposals whose equipments have been field tested but lost in commercial bidding process
- Ratio of Splitting

PROCUREMENT OF NEW EQUIPMENT

SERVICE QUALITY REQUIREMENT

- Formulation of SQR by SHQ / Acq Wing
- Item to be readily available in the market, preferably domestic
- To be endorsed by SPEC – submit to DAC for AoN

SOLICITATION OF OFFERS

- Solicitation of offers will be as per 'Single Stage-Two Bid System'.

REQUEST FOR PROPOSALS

- RFPs will be processed by SHQs within 10 days of approval of the proposal by the DAC
- RFP will be approved by DG(Acq)/ VCDS/Vice Chiefs and issued by TMs to all known vendors on a limited tender basis through post or digital transmission
- Contents – as prescribed under Chapter II

TECHNICAL EVALUATION

- TEC will echnical bids received in response to RFP – note deviations if any

Procurement of New Equipment

BENCHMARKING COMMITTEE

- Within a week of acceptance of TEC Report Bennchmarking would be carried out by a Benchmarking Committee headed by the Advisor (Cost) and reps of concerned SHQ Directorates.
- The recommendations of the Benchmarking Committee may be accepted as such / deliberated upon by the CNC.
- Till then, the Benchmarking Committee benchmark models and costing data will be kept in a sealed cover with the Chairman of the CNC as applicable.

EMPOWERED COMMITTEE

- Although there would be no requirement of any trial evaluation of the identified equipment, an Empowered Committee may be authorised to visit the premises of vendors to witness demonstrations/evaluate the equipment as required.
- The Empowered Committee would have the powers to negotiate and conclude contracts in the shortest possible time and would have adequate representations
- The Empowered Committee Report will be accepted by the DG(Acquisition)/authorised PSO in the SHQ for the non-delegated/ delegated powers respectively.

Procurement of New Equipment

CONTRACT NEGOTIATION COMMITTEE

- Cases for which contracts have already been signed and benchmark prices are available, the CNC would arrive at the reasonable price, taking into consideration the escalation/foreign exchange variation factor
- reasonability of price to be estd
- Recommendation of the Benchmarking Committee crucial
- If commercial bid within the benchmark – no need to discuss or else negotiate
- Costing for maintenance infrastructure may also be concluded
- L1 vendor withdraws or fails to deliver – either cancel the procurement process or go to the next vendor, if available

OVERSIGHT COMMITTEE

- To check whether the process of FTP has been followed as per DPP and bring out deviations, if any.
- To also review and bring out the status of grievances or complaints in the case.
- The Committee will submit the report to Defence Secretary for acceptance, within 10 days of its constitution

Procurement of New Equipment

CONTRACT CONCLUSION

- The contract will be signed after the CFA approval of the case.

INSPECTION

- Considering the urgent nature of requirements and to ensure that items being supplied conform to the technical specifications agreed in the contract, Pre-Dispatch Inspection (PDI) of the stores need to be carried out by our inspectors at the premises of the vendor, wherever considered necessary by the SHQ.
- If PDI is not to be carried out, then the vendor will furnish his own Certificate of Quality or of the Defence Forces of his country or of its accredited quality assurance agency.
- In such cases, Joint Receipt and Inspection (JRI) would be carried out by the MoD and the vendor in India.

Performance cum Warranty Bank Guarantee (PWBG).

Since the contract will be for short term duration and supplies will be required in shorter time frame, the performance of the contractual obligations by the vendor need to be enforced by obtaining a PWBG @ 5% of the value of the contract from an international bank of repute

PROCUREMENT OF NEW EQUIPMENT

Liquidated Damages (LD)

In case of delay in supplies, the vendor shall be levied LD @ 1.5% per week subject to maximum of 15% of value of delayed store.

Termination Clause.

The contract to be signed in FTP will have a Termination Clause which will be made applicable in the following cases:-

(a) The delivery of the material is delayed for causes not attributable to Force Majeure for

more than six months after the scheduled date of delivery.

(b) The Seller is declared bankrupt or becomes insolvent.

(c) The 'Buyer' has noticed that the seller has utilised the services of an Agent in getting this

contract and paid any commission to such individual/company etc.

Integrity Pact

To be signed for procurement schemes beyond 20 crore

Draft Defence Procurement Procedure 2020

New Categories of Procurement

‘Buy (Global -Manufacture in India) - This calls for a global purchase to include 50% indigenous content which the foreign OEM could source from its Indian subsidiary.

Leasing – Possess and use technology / equipment without owning them – expeditious process & cost effective

Make (III) – Indigenously Manufactured Category

Procurement through IGA are exempted from Offsets – not in tandem with the objective of self – reliance

IC Content enhanced by 10 % + enhanced methodology for verification

Constitution of a multi-disciplinary Services Qualitative Requirement Formulation Committee (SQRFC) under a Brigadier level officer for preparation of (QRs).

formulation of realistic QRs which has been problematic in the past, resulting in delays, cost overrun and capability void.

Essential Parameters – A – 3 sub-categories

Operational Parameters,

Technical Parameters and

Maintainability and Ergonomic Parameters.

This is likely to bring greater clarity and objectivity in the formulation of specifications.

a timeline of six months (from the date of receiving responses to the request for information) has been mandated for the formulation of QRs, and up to one year for seeking AoN from the competent authority.

AoN According Authority –

a) Up to 300 crore – Service Procurement Board

b) 300 – 500 crore – DPB

c) 500 crore and above – Defence Acquisition Council

Institutionalized Training of Officials in Acquisition Process

Trial Process – Strengthened – to be conducted under the head of 'Trial Wing' - to be set up within the existing training establishments run by the services

Physical Trials to the extent feasible be substituted with documentary assessments

Helpful in not rejecting vendors for slightest defect

Chapter VIII – Post Contract Management added to provide guidance to the contract operating agencies, ostensibly to ensure smooth execution of contracts

Thank you